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Directors and Advisers

Directors	Anthony Gumbiner, Non-executive Chairman Rhys Davies, Investment Director John Perriss, Non-executive Director
Registered Office	11 Duke Street High Wycombe Buckinghamshire HP13 6EE
Company Number	4931007
Company Secretary	Andrew Fennell
Nominated Adviser to the Company	Ruegg & Co. Limited 39 Cheval Place LONDON SW7 1EW
Broker	Ruegg & Co. Limited 39 Cheval Place LONDON SW7 1EW
Solicitors	Dorsey and Whitney 21 Wilson Street London EC2M 2TD
Auditors	BDO Stoy Hayward LLP 2nd Floor 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU 0870 1623100 (Shareholder Advice Line)

Chairman's Statement

The financial results for the year ended 30 September 2008, an extremely challenging year for the Group, have been disappointing.

The UK commercial radio market has suffered from the general downturn in advertising spend and in economic activity generally. Commercial radio is experiencing significant commercial and structural challenges. Indeed, recent estimates from the industry trade body, the Radiocentre, suggest the industry as a whole is now loss making.

The sharp slowdown in economic activity in the UK in the final quarter of 2008, combined with the Company's fixed cost base, has resulted in the Group taking a number of immediate management actions. Primarily the Group has reviewed its decision to invest in Jazz FM and announced its intention to dispose of the venture. The Group is also carrying out a radical restructuring of the business' cost base. The Directors believe this restructuring is critical if the business is to remain solvent.

Whilst the majority of the Group's radio stations are market-leading commercial stations within the markets they serve, the Group is exposed to a fall in consumer spending as there is a correlation between consumer spending and advertising spend. Revenues are down year on year and, within a fixed cost business such as broadcasting, this has a direct impact on the Group's profitability and cash position.

The Directors continue to believe in the long-term strategy of owning local radio stations and local media assets. The Directors intend to continue to support the Group's stations in regions where the Group has a strong presence and will also consider acquisition opportunities in areas where the Group already has a presence and where the Directors believe the Group can successfully operate these services at lower cost.

Accordingly, the Board is proposing to raise approximately £1.51 million (gross) through an Open Offer the terms of which are set out in the Open Offer Document which is being sent to shareholders on 6 March 2009.

I believe the actions your board have taken will position your Company well for the future and I am committed to its future success.

Anthony Gumbiner
Chairman
5 March 2009

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Financial Review
for the year ended 30 September 2008

Against the background of a depressed radio advertising market last year, the Group has made significant cost savings within the business. The disposal of six loss-making stations earlier in June 2008 has improved our financial flexibility. A combination of further cost saving measures are planned in 2008/09 including a major restructuring of the business.

Group turnover
Total Group turnover, excluding the sold stations, was £14.74 million for the year, a slight increase against 2007 like for like turnover.

Gross profit
Gross profit for the year, excluding the sold stations, was £10.88 million, a 2% decrease year on year, and the gross profit margin decreased 2% to 74%.

Group operating loss
The Group's reported operating loss for 2008 was £5.96 million compared to £8.15 million in 2007. Goodwill impairment in 2008 was £4.17 million (2007: £8.52 million). We have continued to apply strict criteria to our valuations, which are based on discounted future cash flows on a station by station basis rather than being by reference to the market values, which reflect more closely turnover multiples which relate to licence holding. The financial statements do not reflect the licence values in balance sheets.

Cash
There was a net cash decrease of £1.90 million during the year to £0.57 million. The Group has recently raised more cash by selling two of its freeholds which has generated cash in excess of £0.62 million.

Directors' Report
for the year ended 30 September 2008

The Directors have pleasure in presenting their Annual Report together with the audited financial statements for the year ended 30 September 2008.

Activities
The principal activity of the Group is the operation of local radio stations, joint ownership of a national radio advertising sales agency and music related activities. The principal function of the Company is that of an investment holding Company.

Business review
Full details of the results for the year are set out in the attached financial statements. A review of the year's operations is set out in the Chairman's statement and financial review on pages 3 to 4.

Results and dividends
The loss on continuing activities before taxation was £5,611,000 (2007 – £7,902,000). The loss after taxation and minority interests was £6,899,000 (2007 – £9,023,000).

The directors do not recommend the payment of a dividend (2007 – £nil).

Directors and the Board
At the financial year end the Board of The Local Radio Company comprised 3 non-executive directors, 1 of whom is independent, and 2 executive directors.

Directors who held office during the year were as follows:
Richard Wheatly (resigned 7 January 2009)
Sonita Alleyne (resigned 31 July 2008)
Alistair Mackenzie (resigned 16 January 2009)
John Perriss
Anthony Gumbiner
Rhys Davies

Biographies of the directors are set out on page 6. Each director has extensive and relevant business experience.

In accordance with the Company's Articles of Association one third of the directors are subject to retirement by rotation at the Annual General Meeting. Details of those directors are contained in the Annual General Meeting notice.

The directors at the end of the year and their interests in the Company's ordinary share capital were as follows:

	Interest at end of year		Interest at beginning of year	
Director:	**Ordinary shares**	**Options**	**Ordinary shares**	**Options**
Richard Wheatly	1,810,300	1,412,226	1,810,300	832,226
Alistair Mackenzie	1,074,158	1,022,600	1,074,158	622,600
John Perriss	–	–	–	–
Rhys Davies	–	–	–	–
Anthony Gumbiner (Hallwood Investments Limited)	20,350,434	–	20,350,434	-

Directors' Report
for the year ended 30 September 2008 (continued)

Details of directors' share options are as follows:

	1 October 2007	Granted	30 September 2008	Exercise price	Date from which exercisable	Expiry date
Richard Wheatly						
Unapproved plan	317,647	–	317,647	£0.395	27 Feb 2009	26 Feb 2016
Unapproved plan	490,909	–	490,909	£0.2625	14 Dec 2009	13 Dec 2016
Unapproved plan	–	580,000	580,000	£0.23	10 Dec 2010	9 Dec 2017
SAYE	23,670	–	23,670	£0.395	01 May 2009	31 Oct 2009
Alistair Mackenzie						
Unapproved plan	235,294	–	235,294	£0.395	27 Feb 2009	26 Feb 2016
Unapproved plan	363,636	–	363,636	£0.2625	14 Dec 2009	13 Dec 2016
Unapproved plan	–	400,000	400,000	£0.23	10 Dec 2010	9 Dec 2017
SAYE	23,670	–	23,670	£0.395	01 May 2009	31 Oct 2009

There are no performance criteria attached to the Unapproved Plan or SAYE Scheme. The market price of the shares at 30 September 2008 was 9.2p. The highest market price during the year was 25.8p and the lowest was 9.0p.

Brief biographical details of the directors are set out below.

John Perriss (age 60) – Non-executive Director
John was formerly Chief Executive of Zenith Optimedia Group, at the time of his retirement, the world's fifth largest advertising media communications agency with 4,000 employees and over $18bn per annum of media placement on behalf of advertisers through 162 offices in 59 countries.

Anthony Gumbiner (age 63) – Non-executive Chairman
Anthony Gumbiner has served as a non-executive director of The Local Radio Company PLC since 2006 and as non-executive Chairman of the Board of the Company since 2008. He also serves as the Chairman, Chief Executive Officer and majority shareholder of publicly held Dallas-based The Hallwood Group Incorporated, a public company listed on the American Stock Exchange and as Chairman and Managing Director of Hallwood Investments Limited and Hallwood Financial Limited. Anthony is a solicitor of the Supreme Court of Judicature of England.

Rhys Davies (age 40) – Investment Director
Rhys is Managing Director of Glendower Partners Limited, an investment firm which he established in 1998. He also serves as a Director of Hallwood Investments Limited and as a Director of Osprey Smaller Companies Income Fund Limited, a Guernsey registered closed-end investment fund listed on the London Stock Exchange. Rhys also presently serves as Chairman of China Growth Opportunities Limited, a Guernsey registered closed-end investment company listed on AIM. From 1994 until 1998 he worked as an analyst and fund manager at Schroder Investment Management Limited.

The Group holds Directors' and Officers' liability insurance.

Directors' Report
for the year ended 30 September 2008 (continued)

Significant shareholders as at 30 September 2008

	Number of ordinary shares	Percentage holding
Hallwood Investments Limited	20,350,434	28.26%
Collins Stewart Fund Management	9,557,301	13.27%
Aviva Investors	6,975,573	9.69%
Herald Investment Management	6,661,064	9.25%
Invesco Perpetual	3,800,000	5.28%
Goldman Sachs collateral account	3,500,000	4.86%
Goldman Sachs International	3,431,162	4.77%
F&C Asset Management	2,746,528	3.81%

Supplier payment policy
The Company recognises the importance of establishing effective, long-term relationships with its suppliers. A payment policy is operated to agreed terms and conditions with suppliers. The majority of payments are made by electronic transfer direct to suppliers' bank accounts. The number of average days purchases of the Group represented by trade creditors at 30 September 2008 was 32 (2007 – 35). The number of average days purchases of the Company represented by trade creditors at 30 September 2008 was 116 (2007 – 98).

Post balance sheet events
Details of post balance sheet events are noted in note 22.

Corporate governance
The Board is committed to governing the Group in accordance with best practice and supports the principles of Good Governance and Code of Best Practice applicable to companies who are listed on the Official List of the UKLA (the ''FRC 2006 Combined Code'').

The Company aims to comply, as far as is practicable given the size and constitution of the Board, with the FRC 2006 Combined Code. The Board meets six times a year, and it is likely that this will continue in the new financial year. The role of Chairman is filled by Anthony Gumbiner. In October 2008 Rhys Davies was appointed as Investment Director. The Board believes that this is the most appropriate structure for the Company at its current stage of development and that there is sufficient balance within the Board as a whole to facilitate a sound decision making process and control environment.

The composition of the committees is as follows;

Audit Committee – John Perriss (Chairman), Anthony Gumbiner.
Nomination Committee – Anthony Gumbiner (Chairman), John Perriss.
Remuneration Committee – John Perriss (Chairman), Anthony Gumbiner.

The Audit Committee meets at least twice each year and is responsible for monitoring the effectiveness of internal controls, ensuring that the financial performance of the Company is properly measured and reported. It is responsible for assessing the independence of the external auditors and will seek reassurance each year that the external auditors are independent. It will meet with the external auditors at least once a year without the presence of the executive directors.

The Remuneration Committee meets as and when necessary to review the performance of executive directors. It sets the scale and structure of their remuneration with due regard to the interests of the shareholders. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees. No director is permitted to participate in discussions or decisions concerning his own remuneration.

Directors' Report
for the year ended 30 September 2008 (continued)

Remuneration policy for executive directors
The Company's policy on executive director remuneration is to:

– attract and retain high quality executives by paying competitive remuneration packages relevant to each Director's role, experience and the external market, and

– incentivise Directors to maximise shareholder value.

The remuneration of each of the Directors for the year ended 30 September 2008 and the year ended 30 September 2007 was as follows:

	Year to 30 September 2008			Year to Sept 2007 Total	Year to Sept 2008 Pensions	Year to Sept 2007 Pensions
	Salaries and fees £'000	Benefits £'000	Total £'000	£'000	£'000	£'000
Executive Directors						
Richard Wheatly	150	21	171	147	23	20
Alistair Mackenzie	110	13	123	112	17	15
Non-executive Directors						
Sonita Alleyne	17	–	17	20	–	–
John Perriss	20	–	20	20	–	–
Anthony Gumbiner	–	–	–	–	–	–
Rhys Davies	–	–	–	–	–	–
	297	**34**	**331**	**299**	**40**	**35**

Donations
The Group, through its stations, supports a number of local and national charities. There were no political donations made in the year.

Disabled persons
The Group gives sympathetic consideration to the employment of disabled people. All employees are given equal opportunities for training and promotion, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

Employee Involvement
Throughout the year we have undertaken a number of HR initiatives including revision of compensation and benefits package. Staff engage in annual performance development reviews and we actively talent manage. We have continued to invest in our training and development and are currently implementing e-learning opportunities. We encourage our staff to progress and promote internally wherever possible.

The Group is committed to being an equal opportunities employer regardless of nationality, race, gender, marital status, disability, age and religious or political belief. Personnel are selected on the basis of merit and capability. The Group operates an employee Sharesave Scheme and Share Option Schemes.

Social and Community Projects
Through the work of our radio stations the Company actively supports a wide range of social and community projects. A number of our stations organise ''Local Hero Awards'' to recognise the contribution of local people in the community. Many stations support a local charity of the year and all stations attend and promote a wide range of charity and community events in their broadcast areas.

Directors' Report

for the year ended 30 September 2008 (continued)

Communication with shareholders

The annual report and accounts and the interim statement at each half year are the primary vehicles for communication with shareholders. Meetings with significant shareholders are arranged through our nominated advisor, these take place after the interim and the final accounts are issued and after other announcements are made to the market. These documents are also distributed to other parties who have expressed an interest in the Group's performance. Company results can be viewed on the website (www.thelocalradiocompany.com). Shareholders who have any queries relating to their shareholdings or to the affairs of the Company generally are invited to contact the Company secretary at the Company's registered address.

Key performance indicators

In radio the main key performance indicators (KPI's) are measures of audience. The following KPI's are in the public domain. The audience figures show our inventory and the increase in hours on fixed prices would lead to an increase in national revenue which is a small proportion of our total revenues. It is also a measure of company performance over time. Our debtor days are good and our commercial market position is encouraging as it shows how important our stations are in their respective commercial radio marketplaces.

	2008	2007
* Total Audience	721,000	920,000
* Total listening hours	6.0 million	7.5 million
* Share of listening in own Total Survey Area (TSA)	8.7%	8.3%
Debtor days	44	47
Stations No.1 in commercial marketplace	11	12
Stations No.2 in commercial marketplace	3	6

** RAJAR quarterly summary of Radio Listening*

Environmental Matters

The nature of our business means that we are unlikely to be a major polluter but the Board is mindful of the potential impact on the environment of Group activities. We recognise our responsibility to the environment in areas such as energy management, paper usage, waste reduction and recycling, and communications. We are in the process of undertaking a Company wide review of our environmental policy.

Risks and uncertainties

This Annual Report contains certain forward looking statements with respect to the principal risks and uncertainties facing the Group. By their very nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. No assurances can be given that the forward looking statements are reasonable as they can be affected by a wide range of variables. The forward looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

As with any business, we face a number of risks in the total environment in which we operate. We have identified the principal areas and taken steps to control them and reduce their likely impact on the Business.

- **Economic and market conditions**
  The economy is a major influence on consumer spending which in turn can affect the businesses upon whose advertising we depend. Trends in employment, inflation, taxation, consumer debt levels and interest rates impact on consumer demand and spending. Any changes in the levels of trends of advertising spend could have a marked effect on our performance. Whilst predicting future trends is very difficult, the Board feels that our internal processes are sufficiently robust for the identification, monitoring and managing of our business risks.

Directors' Report
for the year ended 30 September 2008 (continued)

- **New Revenues**
  We are actively developing new revenue streams to reduce the Company's reliance on traditional advertising revenue. It is therefore important that our online strategy succeeds and we have invested in both the key management of this area of our business and in the training of our staff.
- **Competition**
  The consumer has far greater listening choice than ever before whether through a traditional analogue set, digital radio, the internet or satellite. We are conscious of the choices available and already stream our stations via our internet sites. We are aggressively pursuing our strategy of ensuring our stations are the first place to tune to for local news, local events and local stories by investing in our programming and training and ensuring we are constantly engaging with our local communities and businesses.
- **Recruitment and retention of talent**
  Our employees, particularly our programmers and our sales executives, are our most important assets. To maintain our competitive advantage, we need to attract and retain these key employees and management personnel. We believe that our particular culture and strong training, along with our incentive programmes enable us to attract and retain key staff in a highly competitive market place.
- **Future of Radio**
  There is uncertainty about the exact shape that the radio industry will take over the next few years, in terms of operators, platforms, digital take-up and stations, additionally the ratio of local radio as a share of all radio is continuing to fall. We believe that local radio has an important role within our local communities going forward and are ensuring that we continue with our strategy of locally focused brands.
- **Regulatory Environment**
  We operate in a highly regulated industry and changes in regulations, interpretation of existing regulations or failure to obtain required regulatory approvals or licences could restrict the Company's ability to operate. Radio activities in the UK are subject to regulation by the Office of Communications (OFCOM) under the Communications Act 2003. OFCOM is responsible for the regulation of the UK communications industry including issuing radio operating licences, maintaining plurality in the provision of broadcasting, monitoring the quality of services and protecting audiences against offensive or harmful material. We continue to have strong relationships with regulatory bodies and participate in early consultations with industry groups to ensure that we are proactive in responding to changes in regulations. We also monitor compliance with relevant regulations, including compliance with the terms of our radio licences, and have a proven track record of radio licences renewals.

Going Concern
The financial statements have been prepared on a going concern basis. In considering the appropriateness of the going concern assumption, the directors have taken into consideration the open offer of new ordinary shares referred to in the Chairman's statement on page 3 and the Group's cash flow forecasts. As at the date of approval of these financial statements the open offer is underwritten as regards £1.5M of proceeds, gross of costs of the open offer, and the related underwriting agreement will only be effective if the Company's shareholders pass enabling resolutions at a forthcoming general meeting and the new ordinary shares are admitted to trading on AIM. The directors are confident that these conditions will be fulfilled and consequently that the Company will have sufficient funding to continue as going concern. However were these conditions not to be fulfilled the directors are of the view that the Company would no longer be a going concern and that consequent adjustments would therefore have to be made to the carrying value of both assets and liabilities.

Financial instruments
The Group's use of financial instruments is detailed in note 2.

Auditors
A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Directors' Report

for the year ended 30 September 2008 (continued)

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent Company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

A Fennell
Company Secretary

5 March 2009

Auditors Report

Independent auditor's report to the shareholders of The Local Radio Company plc
We have audited the Group and parent Company financial statements (the ''financial statements'') of The Local Radio Company plc for the year ended 30 September 2008 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Auditors Report (continued)

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 30 September 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going Concern
In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 of the financial statements concerning the Company's ability to continue as a going concern. The Company is reliant on the continuing support of shareholders, and in particular the success of the open offer referred to in note 2. Until it is successfully completed there remains in existence a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Gatwick

5 March 2009

Consolidated Income Statement
for the year ended 30 September 2008

	Note	12 months to 30 September 2008 £'000	12 months to 30 September 2007 £'000
REVENUE	2	14,740	14,720
Cost of sales		(3,860)	(3,589)
GROSS PROFIT		10,880	11,131
Administrative expenses		(16,840)	(20,075)
Profit on part-sale of subsidiary undertaking		–	795
LOSS ON OPERATIONS		(5,960)	(8,149)
Finance income	8	51	52
Finance expense	8	(2)	(8)
Share of profits/(losses) of associates/joint ventures		300	203
LOSS ON CONTINUING ACTIVITIES BEFORE TAXATION	6	(5,611)	(7,902)
Tax expense	9	–	–
LOSS FOR THE YEAR ON CONTINUING ACTIVITIES		(5,611)	(7,902)
Profit/(Loss) from discontinued activities	10	(1,325)	(1,121)
LOSS FOR THE YEAR		(6,936)	(9,023)
Attributable to:			
Equity holders of the parent		(6,899)	(9,023)
Minority interest		(37)	–
(Loss)/Earnings per share attributable to the equity holders of the parent during the year	4		
Basic and diluted		(9.63)p	(13.01)p
Continuing operations			
Basic and diluted		(7.79)p	(11.39)p
Discontinued operations			
Basic and diluted		(1.84)p	(1.62)p

The notes on pages 18 to 44 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2008

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Interest £'000	Minority Equity £'000	Total £'000
Balance at 30 September 2006	**2,248**	**45,501**	**287**	**(25,517)**	**22,519**	**99**	**22,618**
Changes in equity for 2007							
Loss per year and total recognised loss				(9,023)	(9,023)	–	(9,023)
Issue of 4p Ordinary shares	632	2,175			2,807		2,807
Share Based Payment				98	98		98
Balance at 30 September 2007	**2,880**	**47,676**	**287**	**(34,442)**	**16,401**	**99**	**16,500**
Minority interest in Quadrant*						28	28
Revised balance at 30 September 2007	**2,880**	**47,676**	**287**	**(34,442)**	**16,401**	**127**	**16,528**
Changes in equity for 2008							
Loss per year and total recognised loss	–	–	–	(6,899)	(6,899)	(37)	(6,936)
Cancellation of Share Premium account	–	(47,676)	–	47,676	–	–	–
Share Based Payment	–	–	–	88	88	–	88
Sale of Minority Interest						(90)	(90)
Balance at 30 September 2008	**2,880**	**–**	**287**	**6,423**	**9,590**	**–**	**9,590**

* Minority interest adjustment to reflect the 26% sale to a minority on 30 September 2007.

The following describes the nature and purpose of each reserve within owners' equity.

Share capital
Amount subscribed for share capital at nominal value.

Share Premium Account
Amount subscribed for share capital in excess of nominal value.

As a result of an EGM (dated 2 October 2007) Resolution 3 sought, with the approval of the shareholders, to seek the consent of the Court to cancel the share premium account of The Local Radio Company Plc.

Duly, by Order of the High Court of Justice, Chancery Division (24 October 2007), pursuant to s138 of the 1985 Companies Act, authorisation was given under Special Resolution to cancel the share premium account of The Local Radio Company Plc.

Other reserves
The other reserve represents the excess of fair value over nominal value of shares issued in a business combination , which in accordance with company law is not permitted to be recorded in the share premium account

Retained earnings
Cumulative net gains and losses recognised in the consolidated income statement.

Consolidated Balance Sheet
as at 30 September 2008

	Note	At 30 September 2008		At 30 September 2007	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	12		6,143		10,457
Property, plant and equipment	13		1,040		1,713
Investment in joint venture	14		2,582		2,568
Investments in Associates	14		15		78
TOTAL NON-CURRENT ASSETS			9,780		14,816
CURRENT ASSETS					
Trade and other receivables	15	3,058		3,151	
Cash and cash equivalents		566		2,468	
			3,624		5,619
TOTAL ASSETS			13,404		20,435
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	3,814		3,907	
TOTAL LIABILITIES			3,814		3,907
TOTAL NET ASSETS			9,590		16,528
Capital and reserves attributable to equity holders of the Company					
Share Capital	18		2,880		2,880
Share Premium Account			–		47,676
Other Reserves			287		287
Retained Earnings			6,423		(34,442)
			9,590		16,401
Minority Interest			–		127
TOTAL EQUITY			9,590		16,528

The financial statements on pages 14 to 44 were approved and authorised for issue by the Board of Directors on 5 March 2009 and were signed on its behalf by:

Rhys Davies
Director

The notes on pages 18 to 44 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 September 2008

	Note	Year to 30 September 2008 £'000	Year to 30 September 2007 £'000
LOSS BEFORE TAXATION		**(5,611)**	(7,902)
Loss of discontinuing operations		(1,163)	(1,121)
Profit on Part- Sale of Subsidiary		–	(795)
Finance income		(51)	(62)
Finance expense		2	9
Share of profits/(losses) of associates/joint ventures		(300)	(203)
Provision of share based payments		88	98
Depreciation		532	555
Amortisation		4,170	8,524
Cash flows from operating activities before changes in working capital and provisions		(2,333)	(897)
(Increase)/Decrease in debtors		(191)	77
Increase/(Decrease) in creditors		185	(61)
CASH GENERATED FROM OPERATIONS		(2,339)	(881)
INVESTING ACTIVITIES			
Dividends from JVs		350	150
Capital Redistribution from JVs		–	250
Finance income		51	62
Purchase of Fixed Assets		(214)	(474)
Purchase of Fixed Assets investments		–	(57)
Partial sale of shares in subsidiary undertakings		–	1,000
Disposal of subsidiary undertaking	10	252	60
NET CASH FROM INVESTING ACTIVITIES		439	991
FINANCING ACTIVITIES			
Finance expense		(2)	(9)
Issue of ordinary share capital		–	3,002
Issue costs		–	(195)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		(2)	2,798
NET INCREASE/(DECREASE) IN CASH		(1,902)	2,908
CASH AT BEGINNING OF YEAR		2,468	(440)
CASH AT END OF YEAR		566	2,468

The notes on pages 18 to 44 form part of these financial statements.

Notes to the Accounts
for the year ended 30 September 2008

1 General

The Local Radio Company PLC is a public limited company (''the Company'') incorporated in the United Kingdom under the Companies Act 1985 (registration number 4931007).

The Company is domiciled in the United Kingdom and its registered address is 11 Duke Street, High Wycombe, Buckinghamshire, HP13 6EE. The Company's Ordinary Shares are traded on the Alternative Investment Market (''AIM'').

The Group's principal activity is that of operating local radio licences and developing ancillary revenues including, but not exclusively, web, digital, concert and other entertainment related activity.

2 Basis of preparation

a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS's) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (Adopted IFRS's) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under Adopted IFRS's. This is the first time the Group has prepared its financial statements in accordance with IFRS's, having previously prepared its financial statements in accordance with UK accounting standards. Details of the transition from UK accounting standards to IFRS's have affected the Group's reported financial position, financial performance and cash flows are given in note 11.

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis unless otherwise stated in the report.

Going Concern
The financial statements have been prepared on a going concern basis. In considering the appropriateness of the going concern assumption, the directors have taken into consideration the open offer of new ordinary shares referred to in the Chairman's statement on page 3 and the Group's cash flow forecasts. As at the date of approval of these financial statements the open offer is underwritten as regards £1.5M of proceeds, gross of costs of the open offer, and the related underwriting agreement will only be effective if the Company's shareholders pass enabling resolutions at a forthcoming general meeting and the new ordinary shares are admitted to trading on AIM. The directors are confident that these conditions will be fulfilled and consequently that the Company will have sufficient funding to continue as going concern. However were these conditions not to be fulfilled the directors are of the view that the Company would no longer be a going concern and that consequent adjustments would therefore have to be made to the carrying value of both assets and liabilities.

Changes in accounting policies – First-time adoption
In preparing this financial information, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. Transition date is 1 October 2006.

- Business combinations effected before 1 October 2006 have not been restated.
- The carrying amount of capitalised goodwill at 30 September 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 October 2006.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

Standards and interpretations currently in issue but not yet effective
The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the consolidated financial statements:
IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
IFRS 8 Operating Segments (effective 1 January 2009)
IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14, IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)
IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
IFRIC 17 Distribution of non-cash assets to owners (effective 1 July 2009)

Based on the Group's current business model and accounting policies, the directors do not expect material impacts on the consolidated financial statements when the Interpretations become effective, except the amendment to IAS 1 that will impact on the presentation of the financial statements. The directors are still considering the impact, if any, IFRS 8 will have on segmental disclosure. The Group does not intend to apply any of these pronouncements early.

Basis of consolidation
Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information presents the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Subsidiaries are included in the consolidation from the date that control commences until the date that control ceases.

Where the Company has the power to significantly influence the operating and financial policies of another business it is treated as an associate and its results are accounted for on an equity basis. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued.

Where the Company does not have the power to significantly influence the operating and financial policies of another business the Company will recognise the investment at either fair value or cost within non current assets.

An entity is treated as a joint venture where the Group holds a long term interest and shares control under a contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity-accounted basis, from the date that joint control commences until the date that control ceases.

Financial Instruments
The Group classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

Basis of Preparation (continued)

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables). They are initially recognized at fair value and subsequently at amortised cost.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying value amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Other financial liabilities: Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Equity
Any instrument issued by the entity that does not contain an obligation to deliver cash to the holder are classified as equity. The only equity instruments in issue are the Group's ordinary shares.

Property, plant and equipment
Depreciation is calculated so as to write off the cost less estimated residual values of property, plant and equipments, except for freehold land, on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	–	2%
Transmitter equipment	–	12.5%
Studio equipment	–	20%
Computer equipment	–	33% – 50%
Leasehold improvements	–	Over the period of the lease
Office equipment	–	20%
Motor vehicles	–	25%

Impairment of assets
The Group assesses at each reporting date whether there is indication that an asset may be impaired. If any such indication exists, or when annual impairment testing of an asset is required, the Group makes an estimate of an asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash-generating unit's value in use and its carrying amount. Where the carrying amount exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill for each radio station identifiable as a separate cash-generating unit is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Impairment for each cash-generating unit is recognised whenever the recoverable amount is less than the carrying value based on estimated future cash flows discounted to reflect assessment of the time value of money.

Notes to the Accounts

for the year ended 30 September 2008 (continued)

Basis of Preparation (continued)

Revenue

Revenue represents amounts invoiced in respect of all services provided during the year, excluding value added tax. Radio airtime revenue is recognised on the date of broadcast. Sponsorship and internet revenue are recognised evenly over the life of the contract in accordance with specific contract terms if applicable. Revenue for the production of advertisements is recognised on the date of release to the client.

Segmental analysis

Each radio station constitutes a separately reported operation internally. However as each of the operations are substantially similar in terms of type of business and geographic location they have not been reported separately in the financial statements as permitted by IAS 14.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share based payments

The fair value of options granted to employees, measured on the grant date, are expensed over the vesting period on a straight-line basis.

Where the terms and conditions of options are modified before they vest any increase in the fair value of the options is expensed over the remaining vesting period.

Share options are valued using the Black-Scholes model.

Pensions

Some subsidiary companies participate in a defined contribution pension scheme. Contributions charged to income statement represent the contributions payable by the Group during the period

Notes to the Accounts
for the year ended 30 September 2008 (continued)

3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

a Impairment of goodwill
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in the note 12.

b Useful lives of property, plant and equipment
Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 13.

c Share based payment
The fair value of share options is estimated by using valuation models, such as Black-Scholes, on the date of grant based on certain assumptions. Those assumptions are described in note 18 and include, among others, the expected volatility, expected life of the options and number of options expected to vest. More details including carrying values are disclosed in note 18.

4 Loss per share	**September 2008 Total**	**September 2007 Total**
Loss for the year (£'000)	(6,899)	(9,023)
Weighted average number of shares (Basic)	72,001,588	69,361,040
Basic loss per share	(9.63)p	(13.01)p

Basic and diluted loss per share are the same, as the effect of all potential ordinary shares is not dilutive.

5 Financial Instruments – Risk Management
The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables
- cash at bank
- investments in unquoted equity securities
- trade and other payables

Notes to the Accounts
for the year ended 30 September 2008 (continued)

5 Financial Instruments – Risk Management (continued)

There are no material differences between the fair value and the book value of the Group's financial assets and liabilities as at 30 September 2008.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below :

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts and such credit ratings are taken into account.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. With the exception of our Joint Venture (FRS) the vast majority of the debt is made up of insignificant amounts and therefore the credit risk is spread over a large number of small debtors. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee. These limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

The provision for impairment of trade debtors is calculated by providing for all debtors with a balance over 90 days (with the exception of Intercompany or Joint Venture's) and for 100% of the balance if the debtor is sent to legal collection.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating 'A' are accepted.

The Group does not enter into derivatives to manage credit risk.

The Company monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Further quantitative information in respect of credit risk is given in note 15.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group Finance Director. Where the amount of the facility is above a certain level agreement of the Board is needed.

Notes to the Accounts

for the year ended 30 September 2008 (continued)

5 Financial Instruments – Risk Management (continued)

Capital under management

The Group considers its capital to comprise its ordinary share capital, share premium account, translation reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders. In making decisions to adjust its capital structure to achieve these aims the Group considers not only its short term position but also its long term operational and strategic objectives.

6 Loss from operations

Loss on ordinary activities before taxation is after charging:	2008 £'000	2007 £'000
Remuneration paid by the Company for:		
– audit of Group accounts	24	24
– audit of individual accounts of subsidiary undertakings	73	73
– non-audit services – Tax	22	22
Depreciation	532	555
Impairment and amortisation of intangible assets	4,169	8,524
Rentals under operating leases	1,689	1,021
Equity settled share based payments	88	98

7 Staff Costs

	2008 Number	2007 Number
The average number of persons employed by the Group (including executive directors) during the year was as follows:		
Management and administration	69	66
Sales	104	121
Programming	108	117
	281	304

	2008 £'000	2007 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	7,126	6,835
Social security costs	773	734
Pension costs (defined contribution)	130	139
	8,029	7,708

Director's and key management personnel remuneration

Key management comprise personnel having authority and responsibility for planning, directing and controlling the activities of the Group. They comprise heads of departments and include the directors of the Company listed on page 5.

Notes to the Accounts

for the year ended 30 September 2008 (continued)

7 Staff Costs (continued)

	2008 £'000	2007 £'000
Remuneration was as follows:		
Emoluments	508	488
Pension contributions	50	46
Share based payments	64	39
	622	573

Director's remuneration

The directors of the Company are listed on page 5.

Remuneration was as follows:		
Emoluments	331	332
Pension contributions	40	35
	371	367

The Group participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions payable to the fund are noted above and there were contributions of £8,810 payable at 30 September 2008 (2007 – £12,475).

Two directors (2007: Two directors) are in different defined contribution pension schemes. The emoluments of the highest paid director amounted to £171,681 (2007: £147,000), and Company contributions to the defined contribution pension scheme amounted to £22,500 (2007: £20,250). Further disclosures on the remuneration of each individual director are given in the Directors' report on pages 5 to 11.

8 Finance income and expense

	2008 £'000	2007 £'000
Bank interest received	51	52
	51	52

	2008 £'000	2007 £'000
Finance expense		
Bank loans and overdrafts	2	7
Finance lease interest	–	1
	2	8

Notes to the Accounts
for the year ended 30 September 2008 (continued)

9 Tax on loss on ordinary activities

	2008 £'000	2007 £'000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of timing differences	–	–
Tax on loss on ordinary activities	–	–

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(5,611)	(7,902)
Loss on ordinary activities multiplied by standard rate		
of UK corporation tax of 30%		(2,371)
of UK corporation tax of 29%	(1,627)	
Effects of:		
Expenses not deductible for tax purposes	957	71
Non taxable profit on disposal of shares	–	(286)
Tax Exempt Revenues	(582)	–
Goodwill amortisation and impairment	1,209	2,557
Difference in Tax Rates	17	–
Share of Associates losses	29	29
Consortium Relief Claim	(108)	–
Share in JV Profit	105	–
Total tax charge for period	–	–

The Group has significant tax losses carried forward as disclosed in note 17.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

10 Discontinued operations

In June 2008, the Group sold Pennine FM Ltd, Dune FM Ltd, Ivel FM Ltd, Vale FM Ltd, Bath Radio Ltd, Brunel FM Ltd and Three Towns Radio Ltd. In August 2008 the Group sold its remaining shareholding in Central FM Ltd.

In June 2007 the Group sold Merseyside's The Rocket Limited.

The post-tax gain/(loss) on discontinued operations was determined as follows:

	At 30 September 2008		At 30 September 2007	
	£'000	£'000	£'000	£'000
Consideration received:				
Cash	252		60	
Loan notes	–		–	
		252		60
Net assets disposed (excluding cash):				
Intangible Assets	145		(7)	
Property, plant and equipment	352		21	
Trade and other receivables	101		60	
Other financial assets	182		–	
Bank loan and overdraft	–		–	
Trade and other payables	(93)		(21)	
Minority Interests	(90)		–	
Other financial liabilities	(385)		–	
	212		53	
Costs on Sale of Subsidiaries	202		–	
		414		53
Pre-tax gain/(loss) on disposal of discontinued operation		(162)		7
Related tax expense		–		–
		(162)		7
The net cash inflow comprises:				
Cash received		252		–
Bank overdraft disposed of		–		–
		252		–

	2008	2007
	£'000	£'000
Result of discontinued operations		
Revenue	2,483	3,346
Expenses other than finance costs	(3,656)	(4,483)
Finance (Costs)/Income	10	9
Tax expense	–	–
Gain/(loss) from selling discontinued operations after tax	(162)	7
Profit/(loss) for the year	(1,325)	(1,121)

Notes to the Accounts
for the year ended 30 September 2008 (continued)

10 Discontinued operations (continued)

The cash flow statement includes the following amounts relating to discontinued operations:

	2008 £'000	2007 £'000
Operating activities	(1,335)	(1,130)
Investing activities	10	9
Financing activities	–	–
Net cash from/(used in) discontinued operations	(1,325)	(1,121)

11 First time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has effected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below:

Profit and loss account reconciliation

		Year ended 30 September 2007		
		UK GAAP £'000	Adjustments £'000	IFRS £'000
REVENUE		14,720	–	14,720
Cost of sales		(3,589)	–	(3,589)
GROSS PROFIT		**11,131**	**–**	**11,131**
Administrative expenses	a	(20,102)	27	(20,075)
Profit on part-sale of subsidiary undertaking		795	–	795
LOSS ON OPERATIONS		(8,176)	27	(8,149)
Finance income		52	–	52
Finance costs		(8)	–	(8)
Share of profits/(losses) in joint venture/associates	b	300	(97)	203
LOSS ON CONTINUING OPERATIONS BEFORE TAXATION		**(7,832)**	**(70)**	**(7,902)**
Tax expense		–	–	–
LOSS FOR THE YEAR ON CONTINUING ACTIVITIES		**(7,832)**	**(70)**	**(7,902)**
Profit on discontinued operations, net of tax		(1,121)	–	(1,121)
LOSS FOR THE YEAR		**(8,953)**	**(70)**	**(9,023)**

Note:

a. The £27,000 represents a reduction in the accrual for holiday pay. Contractual holiday pay entitlement accrued by employees but (as at 30 September 2007 compared to 30 September 2006) remained untaken.

b. The £97,000 represents the share of the associates losses for the year, that was not recognised under UK GAAP because of treatment as a trade investment.

Notes to the Accounts

for the year ended 30 September 2008 (continued)

11 First time adoption of International Financial Reporting Standards (IFRS) (continued)

Balance sheet reconciliation as at 1 October 2006

		At 1 October 2006		
		UK GAAP	**Adjustments**	**IFRS**
		£'000	**£'000**	**£'000**
NON-CURRENT ASSETS				
Intangible assets		19,086	–	19,086
Property, plant and equipment		1,817	–	1,817
Investment in joint venture		2,668		2,668
Investment in associates	a	221	(103)	118
TOTAL NON-CURRENT ASSETS		**23,792**	**(103)**	**23,689**
CURRENT ASSETS				
Trade and other receivables		3,314	–	3,314
Cash and cash equivalents		-	–	-
TOTAL CURRENT ASSETS		**3,314**	**–**	**3,314**
TOTAL ASSETS		**27,106**	**(103)**	**27,003**
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans and borrowings		11	–	11
TOTAL NON CURRENT LIABILITIES		11	–	11
CURRENT LIABILITIES				
Trade and other payables	b	4,208	166	4,374
TOTAL CURRENT LIABILITIES		**4,208**	**166**	**4,374**
TOTAL LIABILITIES		**4,219**	**166**	**4,385**
TOTAL NET ASSETS		**22,887**	**(269)**	**22,618**
Capital and reserves attributable to equity Holders of the Company				
Share capital		2,248	–	2,248
Share premium account		45,501	–	45,501
Other reserves	c	352	(65)	287
Retained Earnings		(25,238)	(279)	(25,517)
		22,863	**(344)**	**22, 519**
Minority interest	d	24	75	99
TOTAL EQUITY		**22,887**	**(269)**	**22,618**

Notes to the Accounts
for the year ended 30 September 2008 (continued)

11 First time adoption of International Financial Reporting Standards (IFRS) (continued)

Balance sheet reconciliation as at 30 September 2007

		At 30 September 2007		
		UK GAAP £'000	**Adjustments £'000**	**IFRS £'000**
NON-CURRENT ASSETS				
Intangible assets		10,457	–	10,457
Property, plant and equipment		1,713	–	1,713
Investment in joint venture		2,568	–	2,568
Investment in associates	a	278	(200)	78
TOTAL NON-CURRENT ASSETS		**15,016**	**(200)**	**14,816**
CURRENT ASSETS				
Trade and other receivables		3,151	–	3,151
Cash and cash equivalents		2,468	–	2,468
TOTAL CURRENT ASSETS		**5,619**	**–**	**5,619**
TOTAL ASSETS		**20,635**	**(200)**	**20,435**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	b	3,768	139	3,907
TOTAL CURRENT LIABILITIES		**3,768**	**139**	**3,907**
TOTAL LIABILITIES		**3,768**	**139**	**3,907**
TOTAL NET ASSETS		**16,867**	**(339)**	**16,528**
Capital and reserves attributable to equity Holders of the Company				
Share capital		2,880	–	2,880
Share premium account		47,676	–	47,676
Other reserves	c	450	(163)	287
Retained Earnings		(34,152)	(290)	(34,442)
		16,854	**(453)**	**16,401**
Minority interest	d	13	114	127
TOTAL EQUITY		**16,867**	**(339)**	**16,528**

Note:

a. The £103,000 and £200,000 represents the share of the associates losses for prior years, that was not recognised under UK GAAP because of treatment as a trade investment.

b. The £166,000 and £139,000 represent an accrual for holiday pay. Contractual holiday pay entitlement accrued by employees but (as at 30 September 2008 and 30 September 2007) remained untaken.

c. The £65,000 and £163,000 represent the transfer of share based payments to retained earnings.

d. The £75,000 and £114,000 relate to the write-back of minority interest losses.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

12 Goodwill

	2007/08 £'000	2006/07 £'000
Group		
Cost or carrying value		
Balance at 1 October	**10,457**	**19,086**
Eliminated on sale of shares in subsidiary – net	**(145)**	**(105)**
Impairment	**(4,169)**	**(8,524)**
Balance at 30 September	**6,143**	**10,457**

Goodwill acquired through business combinations has been allocated to cash generating units for impairment testing.

Impairment tests for cash-generating units containing goodwill
The Group has several cash-generating units which contain significant carrying amounts of goodwill:

Radio stations	30 September 2008 £'000	30 September 2007 £,000
CGU 1	493	1,087
CGU 2	–	84
CGU 3	1,453	1,884
CGU 4	1,584	2,173
CGU 5	1,016	1,467
CGU 6	215	215
CGU 7	1,233	1,626
CGU 8	–	1,052
CGU 9	149	724
CGU 10	–	145
	6,143	10,457

The key assumptions and the approach to determining the value of the business unit are as follows:

The Group applies IAS 36 'Impairment of Assets' under Adopted IFRS's. Under this the Group conducts a formal annual review to determine whether the carrying value of the goodwill on the balance sheet can be justified. The impairment review comprises a comparison of the carrying amount of the goodwill with its recoverable amount which is based on value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount of each investment has been determined on the basis of available cash-flow forecasts. The pre-tax discount rate applied to cash-flow projections is 15% (2007 – 15%) and cash-flows are extrapolated using a 2.25% constant growth rate (2007 – 2.25%) in line with current macro-economic growth patterns.

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates beyond the first five years are based on economic data pertaining to the region concerned.

The results of the review undertaken at 30 September 2008 indicated that, due to the current economic climate and the consequent effect on the ability to raise advertising revenue resulting in continuing losses, an impairment charge of £4,169k was required (2007 £8,524k).

Notes to the Accounts
for the year ended 30 September 2008 (continued)

12 Goodwill (continued)

A sensitivity analysis was carried out on the cash flows for each of the cash generating units. The expected growth rates were reduced from 2.25% to 1.5%, the forecast cash flows were reduced by 10% and the discount rate used was increased from 15% to 20%. A summary of the results of the sensitivity analysis are shown below.

2008	**Effect on carrying value of goodwill**		
	Growth Rate 1.5%	**Cash Flows -10%**	**Discount Rate 20%**
Radio stations	**£'000**	**£'000**	**£'000**
CGU 1	(8)	(49)	(137)
CGU 2	–	–	–
CGU 3	(28)	(102)	(460)
CGU 4	(28)	(99)	(443)
CGU 5	(18)	(66)	(297)
CGU 6	–	–	–
CGU 7	(24)	(87)	(392)
CGU 8	–	–	–
CGU 9	(3)	(10)	(42)
	(109)	(413)	(1,771)

2007	**Effect on carrying value of goodwill**		
	Growth Rate 1.5%	**Cash Flows -10%**	**Discount Rate 20%**
Radio stations	**£'000**	**£'000**	**£'000**
CGU 1	(41)	(772)	(312)
CGU 2	(3)	(70)	(28)
CGU 3	(70)	(1,338)	(541)
CGU 4	(80)	(1,542)	(623)
CGU 5	(55)	(1,042)	(421)
CGU 6	(8)	(153)	(62)
CGU 7	(60)	(1,154)	(467)
CGU 8	(39)	(747)	(302)
CGU 9	(26)	(514)	(207)
CGU 10	(5)	(103)	(42)
	(387)	(7,435)	(3,005)

Notes to the Accounts
for the year ended 30 September 2008 (continued)

13 Property, plant and equipment

Group	Improvements to leasehold property £'000	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
Balance at 1 October 2006	987	288	5,774	7,049
Additions	21	–	453	474
Disposals	(15)	–	(100)	(115)
Disposal of subsidiary	–	–	(30)	(30)
Balance at 30 September 2007	993	288	6,097	7,378
Balance at 1 October 2007	993	288	6,097	7,378
Additions	25	–	189	214
Disposals		–	(26)	(26)
Disposal of subsidiary	(226)	–	(1,396)	(1,622)
Balance at 30 September 2008	792	288	4,864	5,944
Accumulated Depreciation				
Balance at 1 October 2006	767	97	4,368	5,232
Charge for the period	74	8	473	555
Disposals	(13)	–	(100)	(113)
Disposal of subsidiary	–	–	(9)	(9)
Balance at 30 September 2007	828	105	4,732	5,665
Balance at 1 October 2007	828	105	4,732	5,665
Charge for the period	62	8	462	532
Disposals		–	(23)	(23)
Disposal of subsidiary	(180)	–	(1,090)	(1,270)
Balance at 30 September 2008	710	113	4,081	4,904
Net book value				
At 1 October 2006	220	191	1,406	1,817
At 30 September 2007	165	183	1,365	1,713
At 30 September 2008	82	175	783	1,040

The book cost of freehold land that is not being depreciated is £35,000 (2007 – £35,000).

Notes to the Accounts
for the year ended 30 September 2008 (continued)

14 Investments

Group

	Joint Venture £'000	Associates £'000	Total £'000
Cost or valuation			
As at 1 October 2006	2,668	118	2,786
Additions		57	57
Share of profits/(losses)	300	(97)	203
Distributions	(400)		(400)
As at 30 September 2007	2,568	78	2,646
As at 1 October 2007	2,568	78	2,646
Additions			
Share of profits/(losses)	364	(63)	301
Distributions	(350)	–	(350)
As at 30 September 2008	2,582	15	2,597

Joint Venture

The principal shareholders of First Radio Sales Limited (FRS) are:

	Holding
The Local Radio Company plc (TLRC)	50%
Ulster Television plc (UTV)	50%

First Radio Sales Limited is registered in England and Wales (registration number 02795622) and was incorporated on 3 March 1993.

Associates

The following entities meet the definition of an associate and have been equity accounted in the consolidated financial statements:

Name of Company	Attributable percentage %	Status
*Blackburn Broadcasting Limited	32.5	Unlisted
Barrow Broadcasting Company Limited	35.0	Unlisted

These companies are registered in England and Wales. The directors of The Local Radio Company consider that they have the power to exercise significant influence and have treated the interest in the above companies as associates.

*TLRC's interest in this Company is held by Two Boroughs Radio Limited.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

14 Investments (continued)

Aggregated amounts relating to associates are as follows:

	30 September 2008 £'000	30 September 2007 £'000
Total assets	243	329
Total liabilities	268	174
Revenues	809	763
Profit/(loss)	(196)	(214)

The principal subsidiaries of The Local Radio Company Plc, all of which have been included in these consolidated financial statements are shown in note 25.

15 Trade and other receivables

	Group 2008 £'000	Group 2007 £'000
Trade receivables	2,628	2,745
Less: provision for impairment of trade receivables	(378)	(410)
Trade receivables – net	2,250	2,335
Amounts owed by subsidiary undertakings	–	
Other receivables	189	73
Prepayments and accrued income	619	743
	3,058	3,151

All trade and other receivables are denominated in sterling.

Movements on the Group provision for impairment of trade receivables are as follows:

	2008 £'000	2007 £'000
At beginning of the year	410	347
Provided during the year	139	255
Receivables written off during the year as uncollectible	(130)	(140)
Unused amounts reversed	(41)	(52)
	378	410

The movement on the provision for impaired receivables has been included in the administration costs line in the income statement.

Trade Debtors and Other Receivables that are past due at reporting date but not impaired.

	2008 £'000	2007 £'000
1-2 Months	859	820
2-3 Months	327	244
Over 3 Months	19	0
	1,205	1,064

Notes to the Accounts
for the year ended 30 September 2008 (continued)

15 Trade and other receivables (continued)

The credit quality of these trade debtors is based on the historic relationship and recovery of debt with our customers which determines the level of credit given. With the exception of our Joint Venture (FRS) the vast majority of the debt is made up of insignificant amounts and therefore the credit risk is spread over a large number of small debtors.

The provision for impairment of trade debtors is calculated by providing for all debtors with a balance over 90 days (with the exception of Intercompany or Joint Venture's) and for 100% of the balance if the debtor is sent to legal collection.

16 Trade and other payables – current

	Group 2008 £'000	**Group 2007 £'000**
Trade creditors	768	600
Other taxation and social security	574	706
Other creditors	691	1,170
Accruals and deferred income	1,781	1,431
	3,814	3,907

Maturity of Trade and Other Payables:

	Group 2008 £'000	**Group 2007 £'000**
< 1 Month	886	1,421
1-3 Months	2,928	2,486
	3,814	3,907

17 Deferred taxation

Group **Deferred taxation**	**£'000**
At 1 October 2007	–
Credit to the profit and loss account	–
At 30 September 2008	–

The Group has tax losses carried forward of £ 6,577,407 (2007: £6,723,000).

No deferred tax asset has been recognised due to the uncertainty of future suitable taxable profits.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

18 Share capital

	2008 £'000	2007 £'000
Authorised:		
100,000,000 ordinary shares of 4p each	4,000	4,000
Allotted, called up and fully paid:		
72,001,588 ordinary shares of 4p each	2,880	2,880

	Number	£'000
At 1 October 2007	72,001,588	2,880
At 30 September 2008	72,001,588	2,880

At 30 September 2008, the Company had options outstanding as follows:

	2008 Weighted average exercise price (pence)	2008 Number	2007 Weighted average exercise price (pence)	2007 Number
Outstanding at the beginning of the year	43.96	3,176,833	60.92	2,145,164
Granted during the year	23.00	1,817,500	26.25	1,506,161
Lapsed during the year	45.36	(757,437)	64.45	(474,492)
Outstanding at the end of the year	34.72	4,236,896	43.96	3,176,833

Approved and Unapproved Option Plans have an exercise period of 7 years and the SAYE scheme has an exercise period of six months. There are no performance criteria attached to the Approved Share Option Plan or Sharesave Scheme. All options have a vesting period of three years. The Unapproved Share Options issued in April, September and November 2005 were granted as a result of successful radio station licence awards.

Share options are valued using the Black-Scholes model with the charge being expensed over the vesting period.

The following table lists the inputs to the model used for valuing share options:

	2008	2007
Dividend yield (%)	0.00	0.00
Expected volatility (%)	30.00	30.00
Risk-free interest rate (%)	5.02	5.02
Share price (£)	0.23	0.25

The volatility assumption, measured as the standard deviation of the logarithmic share price returns, is based on a statistical analysis of daily share prices over the last 18 months, and was measured separately for each grant date. No options have been exercised in the year (2007 – Nil).

Notes to the Accounts
for the year ended 30 September 2008 (continued)

18 Share capital (continued)

The value on these options as of 30 September 2008 was as follows:

Plan	Grant Date	Number of Ordinary Shares under Option	Exercise Price (£)	Exercisable not earlier than	Cumulative charge made to P&L (£)	Charge to be made in future periods (£)
Unapproved Plan	21-May-04	80,000	0.95	21-May-07	16,136	–
	07-Apr-05	32,500	0.89	07-Apr-08	5,094	–
	05-Sep-05	25,000	0.705	05-Sep-08	4,194	–
	07-Nov-05	25,000	0.695	07-Nov-08	3,941	142
	27-Feb-06	973,234	0.395	27-Feb-09	77,736	12,339
	14-Dec-06	854,545	0.2625	14-Dec-09	31,720	21,308
	10-Dec-07	1,455,000	0.23	10-Dec-10	25,204	68,350
Sharesave Scheme	24-Mar-06	254,498	0.395	01-May-09	10,569	2,011
Approved Plan	18-Oct-04	341,512	1.105	18-Oct-07	59,130	–
	16-Dec-04	10,000	0.965	16-Dec-07	1,383	–
	01-Jul-05	32,200	0.725	01-Jul-08	4,830	–
	14-Dec-06	557,889	0.2625	14-Dec-09	1,069	718
	10-Dec-07	189,000	0.23	10-Dec-10	5,829	15,807

The weighted average contractual life of share options at 30 September 2008 is 6.66 years (2007: 6.48 years).

The weighted average lives of options granted in the period is 7.00 years (2007: 7.00 years).

The weighted average remaining lives of all options in issue is 6.59 years (2007: 6.47 years).

19 Operating lease commitments

The Group leases the majority of its properties. The terms of property leases vary although they all tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses.

The total minimum lease payments are due as follows:

	2008 £'000	2007 £'000
Not later than one year	495	489
Later than one year and not later than five years	744	1,023
Later than five years	450	549
	1,689	2,061

Notes to the Accounts

for the year ended 30 September 2008 (continued)

20 Related party transactions

Details of directors remuneration are given in the Remuneration Report on page 8 and note 7.

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount 2008 £'000	Transaction amount 2007 £'000	Balance owed/(owing) 2008 £'000	Balance owed/(owing) 2007 £'000
Joint venture	Income from administration services	74	72	–	6
	Expenses in relation to commission charges	344	327	63	78
Associates	Loans to associates	15	11	26	11

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2008 or 2007 regarding related party transactions.

21 Financial commitments

On 3 September 2008 the Group, through Trinity FM Limited, entered into an agreement with GMG Radio Holdings to provide a 24 hour digital audio broadcast service under the Jazz FM brand. The cost of providing this service is in the region of £30,000 a month. The agreement is for an initial term of 3 years from 1 October 2008. In the event that the gross revenue is less than the transmission and running costs for the first year the agreement can be terminated by giving 6 months' notice.

22 Events after the balance sheet date

Since the year end freeholds in Macclesfield and York have been sold for £623,000.

On 30 January 2009 Barrow Broadcasting Company Limited, an associate company in which The Local Radio Company PLC has a 35% interest and trading as Abbey FM, ceased trading and commenced proceedings towards a creditors voluntary liquidation of the company.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

COMPANY BALANCE SHEET
Prepared under UK GAAP
As at 30 September 2008

		At 30 September 2008		At 30 September 2007	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets					–
Tangible assets			1		1
Investments	25		6,778		10,209
			6,779		10,210
CURRENT ASSETS					
Debtors	26	3,114		5,973	
Cash at bank and in hand		228		907	
		3,342		6,880	
CREDITORS:					
Amounts falling due within one year	**27**	(456)		(223)	
NET CURRENT ASSETS			2,886		6,657
TOTAL ASSETS LESS CURRENT LIABILITIES			9,665		16,867
CAPITAL AND RESERVES					
Called up share capital	28		2,880		2,880
Share premium account	29		–		47,676
Other reserves	29		342		450
Profit and loss account	29		6,443		(34,139)
SHAREHOLDERS' FUNDS	**30**		9,665		16,867

These financial statements were approved by the Board of Directors and authorised for issue on 5 March 2009 and signed on its behalf by:

Rhys Davies
Director

Notes to the Accounts
for the year ended 30 September 2008 (continued)

23 Principal Accounting policies

Basis of Accounting
The financial statements of the parent Company, The Local Radio Company plc, have been prepared in accordance with applicable accounting standards.

Tangible fixed assets

Depreciation is calculated so as to write off the cost less estimated residual values of tangible fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	–	33% – 50%
Office equipment	–	20%

Investments

Investments are valued at cost less provision for any permanent impairment in value.

Share based payments

The fair value of options granted to employees, measured on the grant date, are expensed over the vesting period on a straight-line basis. Market vesting conditions are factored into the fair value of the options granted. A charge is made irrespective of whether market vesting conditions, if any, are satisfied and the cumulative expense is not adjusted for failure to meet these conditions.

Where the terms and conditions of options are modified before they vest any increase in the fair value of the options is expensed over the remaining vesting period.

Share options are valued using the Black-Scholes model.

For details of options present during the year see note 18.

Pensions

The Company does not operate its own pension scheme. Payments are made to defined contribution retirement benefit schemes and are charged as an expense as they fall due.

Acquired licences

The costs of acquired licences are amortised on a straight line basis over the expected licence period, and are reviewed annually for any impairment in value.

24 Employee information

	2008 Number	2007 Number
The average number of persons employed by the Company (including executive directors) was:	3	3

	2008 £'000	2007 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	356	358
Social security costs	24	26
Pension costs (defined contribution)	40	35
	420	419

Notes to the Accounts
for the year ended 30 September 2008 (continued)

25 Investments

Company	Shares in subsidiary undertakings £'000
Balance at 1 October 2007	10,209
Additions (see note 29)	33
Impairment	(2,724)
Sale of subsidiaries	(740)
Balance at 30 September 2008	6,778

The principal subsidiaries of The Local Radio Company Plc are as follows ;

Subsidiary undertakings		Description of shares held	Proportion of voting rights and ordinary share capital attributable to the Group at 30 September 2007 Group %	Company %
^	Alpha Radio Limited	Ordinary £1	100	
^	Mix 96 Limited	Ordinary £1	100	
^	Arrow FM Limited	Ordinary £1	100	
^	Minster Sound Radio Limited (MSR)	Ordinary £1	100	
+	Bridlington Radio Limited	Ordinary £1	100	
+	Minster Sound Radio (York) Limited	Ordinary £1	100	
+	Yorkshire Coast Radio Limited	Ordinary £1	100	
^	Mix 107 FM Limited	Ordinary £1	100	
^	Radio Services Limited (RSL)	Ordinary £1 ''A'' & £1 ''B''	100	
	Radio Investments Ltd (RIL)	Ordinary 10p	100	100
^	Sovereign Radio Limited	Ordinary 1p	100	
^	Silk FM Limited	Ordinary £1	100	
^	Stray FM Limited	Ordinary 50p	100	
^	Sun FM Limited	Ordinary £1	100	
^	West Country Radio Holdings Limited (WCRH)	Ordinary £1	100	
*	Fire Media Limited	Ordinary 10p	80	
#	Isle of Wight Radio Limited	Ordinary £1	74	
*	Spire FM Limited	Ordinary £1	100	
#	The Quay Radio Limited	Ordinary 1p	74	
*	Wessex Broadcasting Limited	Ordinary £1	100	
+	Two Boroughs Radio Ltd	Ordinary £1	100	
#	Spirit FM Limited	Ordinary £1	74	
^	Durham FM Limited	Ordinary £1	100	
	TLRC Enterprises Ltd	Ordinary £1	100	100
^	Quadrant Media Limited	Ordinary £1	74	
^	Northallerton FM Limited	Ordinary £1	100	
	Trinity FM Limited	Ordinary £1	100	100

\+ TLRC's interest in these companies is held by MSR.
* TLRC's interest in these companies is held by WCRH.
** TLRC's interest in this company is held by Spire FM Limited.
^ TLRC's interest in these companies is held by RIL
# TLRC's interest in the company is held by Quadrant Media Limited

The principal activity of the above companies at the year end is that of operating local radio licences, save that WCRH, RSL, RIL, MSR and TLRC Enterprises Ltd are radio management and holding companies including development of ancillary revenues including, but not exclusively, web, digital, concert and other entertainment related activity. All of the above subsidiary undertakings are included within the consolidated financial statements.

All the companies are registered in England and Wales.

Notes to the Accounts
for the year ended 30 September 2008 (continued)

26 Debtors

	Company 2008 £'000	Company 2007 £'000
Trade debtors	9	20
Amounts owed by subsidiary undertakings	2,919	5,832
Other debtors	61	51
Prepayments and accrued income	125	70
	3,114	5,973

27 Creditors: amounts falling due within one year

	Company 2008 £'000	Company 2007 £'000
Bank loans and overdrafts	–	–
Trade creditors	92	122
Other taxation and social security	–	–
Other creditors	95	82
Accruals and deferred income	269	19
	456	223

28 Share capital

	2008 £'000	2007 £'000
Authorised:		
100,000,000 ordinary shares of 4p each	4,000	4,000
Allotted, called up and fully paid:		
72,001,588 ordinary shares of 4p each	2,880	2,880

Details of options outstanding for the Company are shown in note 18.

29 Statement of movements on reserves

Company	Share premium £'000	Other reserves £'000	Profit and loss account £'000
Balance at 1 October 2007	47,676	450	(34,139)
Write off of share premium account	(47,676)		47,637
Arising on share based payments (parent Company expense)			33
Arising on share based payments (capital contribution to subsidiaries)		55	–
Transfer of share based payments to retained earnings		(163)	163
Loss for the period			(7,251)
Balance at 30 September 2008	–	342	6,443

Notes to the Accounts
for the year ended 30 September 2008 (continued)

30 Reconciliation of movements in shareholders' funds

	Company 2008 £'000	Company 2007 £'000
Loss for the period	(7,251)	(8,925)
Arising on share based payments	88	98
Issues of ordinary shares		632
Write off of share premium account	(39)	
Reserve arising on issue of ordinary shares		2,175
Deferred consideration settled by the issue of ordinary shares	–	
Net reduction in shareholders' funds	(7,202)	(6,020)
Opening shareholders' funds	16,867	22,887
Closing shareholders' funds	9,665	16,867

31 Profit of The Local Radio Company PLC

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The Group loss for the year includes a loss after tax of £7,251,000 (2007 – £8,925,000) which is dealt with within the financial statements of the parent Company.

32 Financial commitments

On 3 September 2008 the Company entered into an agreement with GMG Radio Holdings, as guarantor to Trinity FM Limited, to provide a 24 hour digital audio broadcast service under the Jazz FM brand. The cost of providing this service is in the region of £30,000 a month. The agreement is for an initial term of 3 years from 1 October 2008. In the event that the gross revenue is less than the transmission and running costs for the first year the agreement can be terminated by giving 6 months' notice.

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